UK Stewardship Code 2020

Statement of Compliance and Disclosure

October 2021

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Foreword

Dear ICG stakeholders

We are pleased to publish the first report by Intermediate Capital Group (“ICG or the “Group”) detailing how we implement the UK Stewardship Code 2020 (the “Code”). This report provides an overview of our stewardship approach and sets out how we have applied the Code in the twelve months to 30 September 2021.

We plan to report annually on our activities in line with the Code’s requirements. These reports will be publicly available on our website, and will supplement our current disclosures and reporting. As a UK-listed company and member of the FTSE 100, we produce an Annual Report and interim trading updates, along with an annual Sustainability and People report (previously known as our Responsible Investing report), which are all also publicly available on our website. In addition, we provide regular updates on our funds and investments to our clients on a private basis.

As a responsible manager of our clients’ capital, ICG has a clear purpose: to provide capital to help companies develop and grow. We do this by investing across the capital structure, with the vast majority of our investments being in unlisted companies. The level of direct influence we have over our portfolio companies varies substantially between investment strategies given the range of different types of capital we are able to provide. However our overall belief is consistent: that we are active stewards of our clients’ capital, and that we have an obligation to systematically incorporate a wide range of considerations into each investment decision we make. Amongst these considerations are environmental, social and governance (ESG) factors. This is not new for ICG: we have long believed that carefully considering these matters as part of our investment process will lead to long-term value creation for our clients.

I hope you will find this report informative, and we look forward to continuing to focus on stewardship of our clients’ capital and our portfolio companies.

BENOÎT DURTESTE

Chief Executive Officer and Chief Investment Officer

Intermediate Capital Group PLC

31 October 2021

Note on the use of case studies

Case studies can be a useful mechanism within reports such as these to provide tangible examples of certain points. However, in order to be useful and relevant, case studies need to be specific. As a result, a case study taken individually is unlikely to provide a complete picture of how ICG approaches stewardship. This challenge is further complicated given the variety of strategies we manage, and the different routes we have to exercise active stewardship.

In order to address this, we have ensured that the case studies included in this report are drawn from a range of strategies across all our asset classes, which we have identified in the footnotes for each case study, as well as some Group-level examples of stewardship. All case studies occurred during the reporting period of this report (twelve months to 30 September 2021). Taken as a whole, we believe they represent a diverse variety of tangible examples that help to elucidate the principles we are seeking to demonstrate.

To assist the reader in navigating the body of case studies as a whole, the table below sets out those that are included in this report.

Principle	**Case study title**	**Relevant asset class(es) or Group level**
3	Managing strategy-by-strategy conflict	Structured and Private Equity, Private Debt
3	Managing potential conflicts between clients	Credit
4	Integrating climate considerations into how we manage and assess risk	Group, all asset classes
5	Enhancing our Responsible Investing Policy and ESG integration processes	All asset classes
5	Assessing the effectiveness of our activities	Group
5	Reviewing hiring policies and practices	Group
6	Improving our client reporting in response to client feedback and macro changes	All asset classes
7	Specialty finance investment declined	Structured and Private Equity
7	Deep-dive on climate risk	Structured and Private Equity
9	Focus on D&I in the software industry	Structured and Private Equity
12	Exercising our rights in Private Debt	Private Debt
12	Exercising our rights in European Corporate strategies	Structured and Private Equity

Purpose and Governance

Principle 1 – Purpose, strategy and culture

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Introduction

ICG is a global alternative asset manager, investing on behalf of a wide range of clients and providing flexible financing solutions across the capital structure to help companies develop and grow. Headquartered in London, we manage $61.5bn in third-party assets under management (AUM)[1]. We believe that as stewards of our clients' capital, we are obliged to manage our business and investments actively and responsibly in order to unlock long-term value.

We invest across a range of strategies, enabling us to provide capital in whatever form is most appropriate to the company. These strategies are summarised below:

Strategy	Type of capital provided	AUM[1]
Structured and Private Equity	Structured and equity financing solutions to private companies	$18.2bn
Private Debt	Debt financing to high-quality corporate borrowers	$19.1bn
Real Assets	Debt and equity in the real estate and infrastructure sectors	$6.4bn
Credit	investing in primary and secondary public credit markets	$17.8bn

Our funds are typically closed-ended vehicles with contractual lives of approximately 7 – 12 years; around 85% of our AUM is structured in this way. Each fund will contain a number of investments in order to mitigate concentration risk, and within each fund we typically intend to hold each investment for roughly five years. We believe this time horizon enables us to focus on creating long-term value and aligns our clients' interests with those of the portfolio company. As an organisation, this long-term approach to creating value and ability to provide flexible financing solutions drives our culture.

We aim for our employees to feel a sense of wellbeing and promote an inclusive working culture where they can freely question practices and suggest alternatives. We support agile working and offer access to a range of flexible benefits. We ensure our levels of overall remuneration are without gender bias and designed to attract, develop and retain talented employees.

Our teams are empowered to source investment opportunities, but operate within the broader architecture and governance of ICG. As part of the ICG platform, our investment teams also have access (within the confines of regulatory and legal confidentiality requirements) to our valuable and proprietary information database to gain market intelligence and unique insight for the benefit of clients.

Our investment committee process is a key conduit for our culture throughout the investment teams. The investment committee members are senior investment executives within ICG, and these committees collaboratively debate and decide what investments we make on behalf of our clients and when we exit them. As such, the committees' approaches to risk (including climate risk), the range of factors they focus on when deciding whether to approve investments, and the way in which committee members interact with each other and their colleagues, all drive and reinforce ICG's investment and stewardship culture more broadly.

We ensure economic alignment between our clients, our investment teams and ICG plc. This is largely through co-investment, whereby both our investment teams and ICG plc commit capital alongside our clients,

[1] As at 30 June 2021

demonstrating our conviction in the capital allocation decisions we are making on behalf of clients. The reward schemes for our investment teams are also linked to the performance outcomes achieved for clients.

As an asset manager and an institutional investor, ICG recognises that environmental, social and governance ("ESG") issues can be an important driver of investment value and a source of investment risk as well as opportunity.

Our Responsible Investing Policy[2] provides the overarching framework for our approach to responsible investment and covers 100% of our AUM. We believe that by identifying and assessing ESG issues as part of our investment process, and by ensuring that these issues are properly managed over the lifetime of our investments, we can help to create more successful and sustainable businesses over the long-term and generate enhanced value for our clients.

We have a diversified group of blue-chip clients, which we have grown by 89% since 31 March 2015. At 31 March 2021 we had 476 clients. Our third-party AUM has grown by 140% to US$61.5bn over the same period. While this is only one measure of success, our ability to grow the number of clients who entrust their capital to us, and the amount of capital they want us to manage on their behalf, is a good indicator of how we have historically served our clients' interests.

[2] Available on ICG's website at www.icgam.com/society/environmental-social-and-governance

Purpose and Governance

Principle 2 – Governance, resources and incentives

Signatories' governance, resources and incentives support stewardship.

Governance

ICG has been a publicly listed company since 1994 and is a constituent of the FTSE100. We seek to promote the highest standards of corporate governance throughout our structures and culture to act in the best interests of our clients.

ICG Board

The Board comprises three Executive Directors, a Non-Executive Chair, and eight Non-Executive Directors (all of whom are independent). Further details of the Board, including their biographies, are available on the ICG website.

The Board provides leadership and oversight within a framework of prudent controls which enable risk to be assessed and managed to ensure that the necessary financial and human resources are in place for the Group to meet its objectives. The Board's principal functions include, but are not limited to, determining the Group's strategy and basis on which it is managed, upholding the Group's culture and shaping the Group's risk appetite. Moreover, the Board has overall responsibility for the Company's internal control system to give reasonable assurance that assets are safeguarded, transactions are authorised and recorded properly and that material errors and irregularities are prevented or detected. A number of committees support the work of the Board, including the Audit, Risk, Nominations and Governance and Remuneration Committee, each of which are constituted solely by Non-Executive Directors.

The ICG Board are strongly engaged in our focus on stewardship, regularly receiving reports on client considerations, client experience, investment performance and ESG matters. We have a Non-Executive Director responsible for ESG matters and another Non-Executive Director with a specific responsibility for employee engagement. The Board will continue to keep our stewardship approach under review as the obligations of ICG and expectations of our clients develop.

Stewardship sits alongside investment decision making in our view and we do not believe that it should be the responsibility of a separate team.

Executive Directors and Management Committee

The Executive Directors are responsible for ensuring the effective implementation of the strategy and policies set by the Board, and are supported by our Management Committee. The Management Committee consists of senior executives drawn from across the business (including our Executive Directors) and is responsible for assessing relevant strategic and business initiatives, talent management and risk, compliance, operational, financial and IT (including Cyber) matters. In particular, it oversees risks and opportunities related to our investment activities and to our own operations, addressing issues if they arise and approving new investment strategies, including those with specific ESG or climate-related objectives and targets. We believe that this level of oversight and accountability is appropriate given the importance of stewardship at ICG and our desire to demonstrate to all stakeholders our commitment in this area.

In considering new potential investment strategies, the Management Committee is supported by a New Product Working Group, which is responsible for assessing any potential new fund in the light of relevant client requirements. This includes input from a wide range of operational, legal and compliance functions and the relevant investment team, and ultimately makes a recommendation as to the suitability of any new product to the Management Committee.

Investment Committees

ICG has a number of Investment Committees - one dedicated to each investment strategy – which are typically comprised of the most senior investment executives within the relevant strategy. Each Investment Committee is responsible for scrutinising, challenging and, ultimately, approving or denying every investment proposed by the relevant investment team, in line with the investment objectives of the fund in question. It is also responsible for the ongoing monitoring of the performance of investee businesses, including stewardship related activities, and the ultimate divestment of investments.

Investment Committees for all strategies meet at least weekly or more frequently as required. By way of example, for our Structured and Private Equity asset class, a typical investment approval process is as follows:

- Investment teams undertake an initial assessment of a potential deal and prepare a paper which is submitted to the Investment Committee for an initial review;
- If the deal is approved at the initial Investment Committee, the team undertakes extensive analysis on the business in question, sector in which it operates, valuation, structure and any key concerns or issues raised. These findings are presented at a second Investment Committee. If the deal is approved at this stage, budget for enhanced due diligence is agreed;
- Once due diligence is complete, investment teams return to the Investment Committee for final approval. This meeting decides whether to proceed with the investment and will cover any key issues raised in the process so far, final valuation and final deal terms. This step in the process may be iterative, depending on the circumstances. Unanimous approval is required by all Committee members present at the meeting, with a minimum quorum of three members required to approve the investment.

ESG considerations are reviewed and incorporated at every stage of the investment process.

Investment Committees for our other strategies follow the same or a similar process, but may have a condensed number of meetings, depending on the nature of the transaction and/or strategy in question.

In addition, Investment Committees for all strategies undertake a quarterly review of each of their investments, which includes a performance evaluation and an update on the progress of any strategic and ESG initiatives.

Responsible Investing Committee

ICG's Responsible Investing Committee promotes, supports and helps to integrate responsible and sustainable business practices across ICG's investment strategies and the businesses in which we invest, in line with our Responsible Investing Policy and Responsible Investing Framework. The Responsible Investing Committee is made up of our Head of Investment Office (chairperson), the Head of Responsible Investing and senior investment professionals from across ICG's investment strategies. The Responsible Investing Committee is supported by an experienced responsible investing team with significant expertise in integrating ESG across a wide range of alternative asset classes and industries, as well as professional services experience.

The day-to-day implementation of our Responsible Investing Policy is the responsibility of investment professionals across our investment strategies who integrate relevant and material ESG considerations, among other relevant factors, into investment decisions and active ownership activities, where applicable. ICG's Responsible Investing team provides specialist input and expertise, working closely with investment professionals across our strategies to ensure effective integration of ESG factors.

Building knowledge, understanding and expertise on stewardship matters

Throughout the year, Executive Directors receive regular briefings and training sessions on emerging topics to ensure they are able to exercise effective oversight of ICG's stewardship activities

All ICG personnel also regularly undertake other focused training, including Compliance training on matters such as anti-bribery, to ensure they are well placed to meet the obligations we have to clients.

The Responsible Investing Committee ensures that our investment teams have the required skills and understanding to effectively monitor and engage with management teams in our portfolio companies on ESG issues, cognisant of the fact that this is a rapidly evolving area in which new issues can rapidly emerge.

We are committed to ensuring that the knowledge of our teams remains current and therefore provide all relevant employees with regular, bespoke responsible investing training, comprehensive responsible investing guidance and access to online ESG tools, to ensure they can identify, assess and manage ESG risks and opportunities in investment activities.

To continue to build our teams' knowledge in this area and to capitalise on the expertise we are building internally, we joined forces with the PRI Academy to develop a bespoke course for Executive Directors, all partners and investment, marketing and client relations staff. The training, which all new joiners must complete, helps participants gain a better understanding as to why responsible investing is important, what it involves and what ICG has to do to apply key ESG concepts and invest responsibly.

In 2021, 215 professionals undertook Responsible Investing training, representing a 97% completion rate.

Incentives and compensation

All investment teams have a responsibility to consider relevant risks and opportunities in their investment decisions (including ESG risks) and the extent to which they have done this effectively is taken into account when determining performance-related compensation levels. Each year, the Executive Directors are set targets by the Board for the variable elements of their remuneration, which include KPIs linked to non-financial factors, such as culture and diversity (see page 91 of ICG Annual Report and Accounts 2021 (ARA 2021)).

During the year to 31 March 2021, 10-15% of Executive Directors' annual pay was linked to ICG's progress on culture, diversity and inclusion. We believe this is key to enabling ICG to act as an effective steward of our clients' assets. Further links to stewardship related topics have been adopted in executive remuneration schemes during the next year.

Purpose and Governance

Principle 3 – Conflicts of interest

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

ICG seeks to operate in accordance with the highest standards of compliance, ethics and corporate governance across all of our operations and investments. Moreover, all of our personnel have a responsibility to act in the best interests of our clients. To this end, we maintain an extensive framework of internal policies, procedures and controls, including a comprehensive conflicts of interest policy, which is applicable to all personnel.

Our conflicts of interest policy assists with the identification, prevention and management of actual, potential or perceived conflicts to ensure we take all appropriate steps to prevent conflicts from adversely affecting the interests of our clients and/or unduly impacting our stewardship practices on their behalf. The conflicts of interest policy is subject to annual review and is available to all personnel on our intranet page; new joiners are directed to this link as part of their induction on joining. The overall management and mitigation of conflicts of interest is the responsibility of the ICG Board, implemented on a day-to-day basis by relevant senior executives with support, oversight and monitoring from the Compliance function. We conduct a regular review of potential conflicts of interest, which is an important part of the investment approval and on-going investment management process.

Actual or potential conflicts may be managed in a number of ways, depending on the circumstances and type of conflicts involved. All ICG personnel are expected to use good judgement in the determination of how best to resolve a potential conflict, including through appropriate escalation to the Compliance department. All new joiners undertake training and assessment on areas relating to conflicts and all personnel receive mandatory annual compliance training, which focuses on identifying and managing areas of conflict. Compliance also undertake monitoring of the business to help identify potential conflicts. Our objective is to create a culture of awareness and appropriate action in identifying and reconciling any conflicts.

ICG maintains a centralised conflicts register, which consists of each identified conflict across the business, the strategies that are impacted and the actions undertaken to manage or mitigate the conflict.

Potential conflicts broadly fall into four main categories:

- deal by deal conflicts;
- strategy by strategy conflicts;
- conflicts between ICG's own interests and those of a client; and
- conflicts between the interests of ICG personnel and those of ICG or a client.

There are separate Investment Committees for each strategy to assist in the effective management of conflicts of interest. Where a deal by deal or strategy by strategy conflict is identified, conflict mitigation is typically handled as follows:

- potential conflicts are escalated to the Compliance department and logged in the centralised conflicts register;
- employees who have identified the conflict will be expected to prepare a paper detailing the terms of the conflict and proposals to avoid or manage the conflict;
- the conflict may need to be escalated to the relevant Investment Committee and where Investment Committee members may, themselves, be conflicted they would be recused from the relevant Investment Committee meeting; and
- access to information which is the subject of the conflict will be managed through physical, information and technological barriers, including password protected documentation and 'follow me' printing procedures.

In addition to the above, members of the Compliance department may act as an intermediary between conflicted teams or individuals and the potential conflict may be disclosed to clients where necessary or appropriate for best practice.

Employee conflicts are managed through our personal account dealing and outside business interests policies. Where employees identify a potential, actual or perceived conflict, they must report it to relevant senior management and the Compliance department as soon as possible.

Where it is determined that a potential conflict of interest cannot be managed by the processes above, then ICG will seek to avoid the conflict in the most appropriate way, which may be by declining to participate in the relevant transaction or including the securities of a particular company on our “Restricted List”.

Our conflicts of interest policy is available to our clients upon request.

Case study: Managing strategy-by-strategy conflict

Two ICG funds in two different strategies were considering investing in the same business. The deal teams working on each strategy, who were separated by physical and information barriers, were unaware of each other’s involvement but as part of our standard protocols to ensure good and effective governance each notified the Compliance department of their involvement in the potential transaction. Our Compliance department, who sit above our information barriers, identified the conflict and reminded each team of their duty of confidentiality and to manage conflicts. One senior employee ordinarily sits on the Investment Committee for both strategies. Our Head of Legal and Compliance notified such employee that there was a potential conflict and that they would have to recuse themself from one of the Investment Committees. No committee papers or other information in respect of the potential investment were delivered to such employee. Each investment team continued with their typical investment processes and the conflict was fully managed.[3]

Case study: Managing potential conflicts between clients

A number of our open-ended liquid funds expressed an interest in investing in bonds proposed to be issued by a European mid-market company. It is not unusual in such bond issuances for the overall interest from prospective noteholders to exceed the aggregate amount of the bond and this occurred on an issuance during the reporting period. Noteholder requests for the investment were “scaled back” to match the total amount available and, accordingly, the ICG trading team (who are fund agnostic) applied the ICG Group Allocation Policy, which is maintained by the Compliance function and approved by the ICG Group Risk Committee, and scaled back the allocation to our funds using a pre-determined mechanic detailed in such policy.[4]

Grievance procedures

In addition to our formal conflicts of interest policy, ICG has an established grievance mechanism for any employee to express concerns about a potential conflict or any other issue. We support anyone who, in good faith, discloses a failure to meet our high standards of business conduct.

All complaints are investigated in accordance with ICG’s grievance or complaints procedure and the complainant is informed of the outcome once the investigation is completed.

ICG is committed to promoting a ‘speak up’ culture where staff feel they can raise concerns without fear of retaliation and in the knowledge that the matters they report will be taken seriously. Our Speak Up policy outlines how staff may report a concern through both internal channels (including to a Non-Executive Director) and

[3] Asset Classes: Private Debt and Structured and Private Equity
[4] Asset Class: Credit

external routes. All personnel globally have access to a 24/7 anonymous and confidential service, which is operated by the independent third-party EthicsPoint, to make a report.

Purpose and Governance

Principle 4 – Promoting well-functioning markets

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

At a Group level, the ICG Board is accountable for the oversight of our Risk Management Framework (RMF), internal control assurance, and for determining the nature and extent of the risks it is willing to take in achieving our strategic objectives. The Board sets a preference for risk within a strong control environment to generate a return for clients and investors and protect their interests. That risk appetite is reviewed by the Risk Committee, on behalf of the Board, and covers the principal risks that the Group seeks to take in delivering the Group's strategic objectives. The Risk Committee is provided with management information on a quarterly basis and monitors performance against set thresholds and limits to support the achievement of our strategic objectives, within the boundaries of the agreed risk appetite. Risk management is embedded across ICG through the RMF, which ensures that current and emerging risks are identified, assessed, monitored, controlled and appropriately governed, based on a common risk taxonomy and methodology. The RMF is designed to protect the interests of all stakeholders and meet our responsibilities as a UK listed company and parent of a number of regulated entities. The Board reviews the RMF regularly and it forms the basis on which the Board reaches its conclusions on the effectiveness of the Group's system of internal controls.

During the financial year to 31 March 2021, we carried out a robust assessment of our principal risks, which led to a revised set of risks that more comprehensively capture those that would threaten our business model. The revised risks more accurately reflect the threats faced by the Group in executing its strategic objectives. Furthermore, our full Brexit strategy was successfully implemented, and we now have an established European platform with Luxembourg as our central hub, ensuring that we are well placed to meet our clients' needs in a wide variety of jurisdictions.

More details on our approach to risk management at a Group level can be found in our Annual Report.

Within our investment activities, risks are overseen by the Investment Committee and investment teams. The investment teams and investment committees therefore look at each investment opportunity within the context of the broader fund to ensure an appropriate level of diversification across for example sector and geography.

The risks that specific investments are exposed to varies by strategy and by fund. A wide-range of market-wide risks as well as company-specific risks are factored into our pre-investment diligence and presented to the investment committee as part of the investment decision. In each instance, we will look to ensure that the investment decisions we make represent an appropriate risk / reward profile for the clients in the fund whose capital we are deploying. Post investment, we continue to monitor how the risk profile of each investment changes and whether we should be taking proactive measures to ensure an appropriate risk / reward profile. In particular, early identification of a potential deterioration in a portfolio company's performance can help us preserve the value of our investment and therefore be more effective stewards of our clients' capital.

Case study: Integrating climate considerations into how we manage and assess risk

Integrating ESG risk factors into our RMF is necessary for an improved understanding of the context in which the Group operates and a greater ability to respond to the needs of our clients and other stakeholders. The Risk Committee oversees the Group's risk management framework and controls associated with it, including ESG and in particular, the long-term and persistent nature of climate-related risks. In doing so, we are committed to aligning our approach with the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations. ICG's latest disclosure to the TCFD recommendations are included on page 34 of ICG ARA 2021.

Over recent years, we have increased our efforts to focus on understanding, assessing and addressing climate risk across our investment strategies. As part of these efforts, we have bolstered the integration of climate change considerations at each stage of the investment process.

Climate risk assessment

We have already taken the decision to exclude any direct investment in companies which generate the majority of their revenue from coal, oil or gas.

For each potential investment opportunity, we assess its exposure to material climate-related risks through a proprietary Climate Risk Assessment tool which incorporates industry sub-sector, transition and physical risk parameters. The tool utilises various data sources, including TCFD, the SASB standards, ThinkHazard, Climate Change Performance Index and the World Bank Carbon Pricing Dashboard. Each investment opportunity receives a climate risk rating. For opportunities identified as having a higher exposure to climate related risks, additional analysis must be completed before the investment can go ahead and the findings of the assessment are carefully considered by the relevant Investment Committee.

Post-investment, we continue to monitor the exposure of each investment to climate risks and opportunities and, where relevant, we include climate risk as part of our sell-side ESG due diligence process.

In 2020, we conducted a climate scenario analysis of our existing portfolio across all key strategies, working closely with an expert consultant. This involved an initial high-level screening of over 700 holdings to identify those with higher exposure to climate-related risks in accordance with the TCFD guidance. This culminated in a scenario analysis exercise for 35 portfolio companies based on 20 scenario indicators, and a heatmap to highlight the exposure of each company to:

- physical risks, including drought and water stress, cyclone impacts, extreme temperature, flooding and wildfires (up to 2050); and
- transition risk, at intervals of every five years, from 2020 to 2040.

The findings of the scenario analysis have significantly contributed to the development of our Climate Risk Assessment tool, helped us to revise our Climate Policy and extend our Exclusion List to include investments related to coal, oil and gas. It also gave us a good opportunity engage with portfolio companies where we had access to management, by sharing the assessment results and discussing potential next steps.

Strategy and innovation

Climate change mitigation and adaptation at fund level has been a priority – and a significant opportunity – for us and has been a key consideration in the launch of new products. At present, we manage three funds which include explicit sustainability aspects: Infrastructure Equity, Sale and Leaseback and Real Estate Partnership Capital Fund VI. Each of these funds has a ESG framework designed to align with specific Sustainable Development Goals (SDG), all of which incorporating climate-focused SDGs, including SDG 7 (Clean Energy) and SDG 13 (Climate Action).

The latest fund in our European Corporate strategy, ICG Europe Fund VIII (which had its first close in April 2021), has adopted an enhanced ESG framework, under which the fund will implement ICG's enhanced ESG Engagement Strategy which focuses on driving performance improvement across three key themes: climate change, human capital management and D&I. Within each theme we have set overarching objectives and core KPIs, and we engage with management teams to agree company-specific targets and assign responsibility. Crucially, portfolio companies will be required to set ambitious emission reduction targets aligned with science-based targets (SBTs). We have also linked our climate-related ambitions with our corporate and fund financing which has proven to be an effective mechanism to strengthen the implementation of our climate change efforts.

Purpose and Governance

Principle 5 – Review and assurance

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

ICG has a number of policies and manuals that support our governance practices and provide guidance for our daily activities. These policies and manuals include, but are not limited to:

- ICG Group Compliance Manual;
- ICG Group Allocation Policy;
- ICG Group Anti-Bribery and Corruption Policy;
- ICG Group Financial Crime Policy;
- ICG Information Walls Policy;
- ICG Group PA Dealing Policy;
- Speak Up Policy;
- ICG Data Breach Policy;
- ICG Data Protection Policy;
- ICG Business Continuity Policy;
- ICG Third Party Security Management Policy;
- Global Employee Handbook;
- Travel and Expenses Policy; and
- Responsible Investing Policy.

Our policies are overseen by our Executive Directors, the Global Head of Compliance and other senior executives, as applicable. They are updated at least annually but also kept under ongoing review and updated sooner if required, depending on a number of factors including the ever-changing regulatory landscape, client expectations and needs and industry best practice. All key policies are formally reviewed on an annual basis by the ICG Risk Committee and available to our clients as part of due diligence reviews on our funds.

All of our polices and manuals are accessible by all our personnel on our intranet page and each employee is required to annually attest to having read the updated ICG Group Compliance Manual, which aggregates a number of our business critical and key regulatory policies. Moreover, all staff are notified when there is an update to a relevant policy or manual.

Case study: Assessing the effectiveness of our policies

As a result of Covid-19, it was acknowledged by senior management that our travel habits and needs should be reviewed. This, coupled with our longer term aspiration to reduce our travel emissions, resulted in us proactively amending our Travel and Expenses policy. A full review of the policy was conducted and approved by our Executive Directors. A number of clarifications and amendments were made to improve travel efficiencies, ensure appropriate cost controls and ultimately save ICG and its clients' money.

Case study: Enhancing our Responsible Investing Policy and ESG integration processes

Over the last year, ICG has significantly increased the focus on ESG across the firm as a whole, with the roll out of an enhanced ESG framework, achieved with the input and oversight of the Responsible Investing Committee.

Our Responsible Investing Policy, which provides the overarching charter for our approach to responsible investment and covers 100% of ICG's assets under management, has been updated to reflect our enhanced approach to climate-change-related topics following the extensive climate scenario analysis we undertook in 2020 (and further detailed in principle 4 above).

We participate in several widely recognised external assessments to ensure the continuous improvement of our approach to, and policies and processes in respect of, responsible investing and ESG integration. We are, therefore, abreast of the latest industry best practice and potential areas for enhancement. ICG has participated in the PRI annual assessment since 2013. In the most recent cycle, we achieved top scores ('A+') in the Strategy & Governance and Private Equity modules, and 'A' score in the Fixed Income module. These scores compare favourably to the median peer scores of 'A', 'A', and 'B' respectively. We also take part in the CDP Climate Change Assessment and in the most recent cycle, ICG maintained its 'A-' Leadership score.

Case study: Reviewing hiring policies and practices

ICG has enhanced its hiring practices during the reporting period through the appointment of a focused in-house recruitment team, who are dedicated to assisting with our commitment to increasing our talent diversity and addressing our gender pay gap, active dialogue with external head hunters to ensure they provide gender parity in the CVs they send, and unconscious bias interview training for our hiring managers. We have also invested in a Talent Development team to ensure the ongoing development of our personnel. This has benefited clients by ensuring that we have access to the widest possible talent pool and that the skills and expertise of those within the business who are managing investments on behalf of clients are continually improving.

Investment Approach

Principle 6 – Client and beneficiary needs

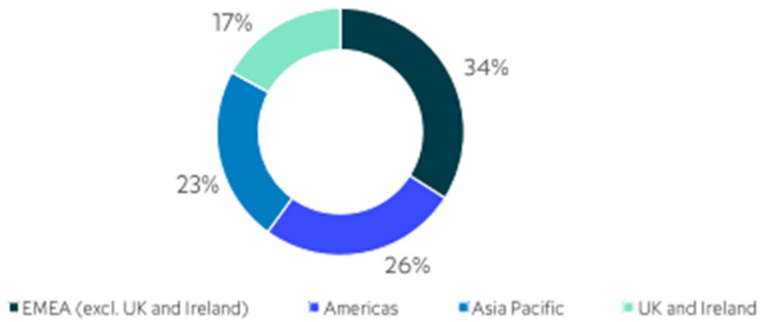
Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

We manage $61.5bn[5] of third-party assets globally on behalf of 476 clients (at 31 March 2021).

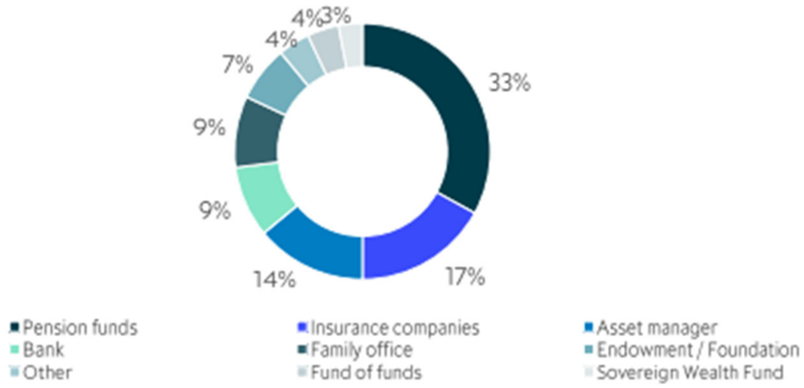
Our client base[6]

Our clients are all sophisticated investors, mostly institutions who have a range of investments across the alternative asset management space.

By geography



By investor type



The exact timeframes we consider appropriate for our investment activities and clients vary depending on the strategy, but our funds typically are closed-ended vehicles with contractual lives of approximately 7 – 12 years; approximately 85% of our AUM is structured in this way. Each fund will contain a number of investments, and within each fund, we typically intend to hold each investment for roughly five years. We believe this time horizon enables us to focus on creating long-term value and aligns our clients' interests with those of the portfolio company.

[5] At 30 June 2021
[6] At 31 March 2021

When committing to a fund, our clients undertake detailed due diligence of the fund documentation, investment team, investment committee and the fund's investment remit and track record (if applicable). Clients may also enter into side letters where that client's requirements (whether in relation to investment approach, specific additional reporting or investment appetite) are documented. As a result, client expectations and the relationship with ICG are clearly documented and understood at the outset of their commitment to the fund, and these expectations and obligations are considered throughout the life of the fund.

Communication with our clients

Our in-house Marketing and Client Relations team engages regularly with all clients and potential clients, providing detailed updates on fund performance, new funds and other business developments. We hold annual client investor days and investor conferences, ensuring our clients have access to our in-house distribution team as well as senior management and members of our investment teams. We also conduct more regular interactions and ongoing relationship meetings with existing clients, and provide regular update reports on the performance of their investments.

The purpose of these meetings is broad, but in general meetings enable us to update clients on the portfolio, and provide clients with an opportunity to discuss any concerns that they have, so that we may respond appropriately.

ESG reporting is forming an increasingly integral part of our client reporting, including around climate change. Our Responsible Investing Policy, which includes our Climate Policy, is made available to all clients. We communicate to clients on how a number of topics including how ESG is integrated into our investment process, the ESG objectives of individual funds and details of key ESG factors considered.

Seeking clients' views

As part of our approach to ensuring we understand our clients and prospective clients' evolving priorities, our ongoing dialogue covers, as relevant, matters related to stewardship. In addition, we periodically undertake a comprehensive survey of client views covering all aspects of their relationship with ICG, including our approach to integrating ESG requirements into the investment process. During our last survey we undertook we received feedback that clients would like more information about how we were integrating ESG considerations on their behalf. As a result of this input, we enhanced our Responsible Investing policy to incorporate an ESG Exclusion List. We have also made a number of changes to increase the clarity of our reporting around how we integrate ESG considerations into our investment decision-making and how we engage with companies in our portfolios (see case study). We will run another survey in 2022.

Case study: Improving our client reporting in response to client feedback and macro changes

We have acknowledged that consistent reporting of ESG and climate-related data is crucial and with regulation increasing in this area, we wish to pre-empt our obligations and provide greater transparency to our clients. To this end, starting in 2022, we will adopt an enhanced approach to ESG reporting to investors across all asset classes. The exact nature of this reporting will vary across our asset classes and is dependent on a number of factors, including our ability to influence and/or access, the management teams of portfolio companies.

At a minimum, we intend to include an ESG rating distribution, which we have developed in conjunction with an external consultant, across the portfolio and fund level carbon footprint metrics, in line with the TCFD recommendations for asset managers. For strategies with greater influence over the capital structure, we will also seek to report, where possible, against our core ESG KPIs, relevant SFDR principle adverse impact metrics and our annual ESG Survey framework.

We are also implementing a dedicated ESG data management system across the firm to streamline our data collection, analysis and reporting to our clients and to enhance our ability to harness the insights needed for more targeted engagement with portfolio companies.

Separately, as a result of the Covid-19 pandemic, we significantly and proactively enhanced our client reporting, including regularly providing analysis on the impact of the pandemic on each asset class. The content and frequency of this reporting and interaction with our clients was regularly amended to reflect ‘real time’ client feedback given the pace at which the global environment was changing, particularly during the early stages of the pandemic.

Investment Approach

Principle 7 – Stewardship, investment and ESG integration

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

We believe that environmental, social and governance issues are an important driver of investment value and source of investment risk. ICG has been a signatory to the UN Principles of Responsible Investing (PRI) since 2013, and an active contributor to a range of industry collaborative initiatives in partnership with initiative Climat International (iCI), PRI, CDP, World Resource Institute (WRI), Invest Europe, the British Venture Capital Association (BVCA) and International Limited Partners Association.

The day-to-day management of ICG, including oversight of ESG matters, is the responsibility of the Executive Committee. At a Group level, we focus on where we have a material footprint and meaningful impact. Within Environment, we focus on climate change; within Social, we focus on human capital management and diversity and inclusion (D&I); and within Governance, we focus on robust governance and risk management.

The integration of ESG considerations into our investment activities is led on a day-to-day basis by the Head of Responsible Investing, who sits within the Investment Office which in turn reports to the CEO. To ensure that our approach to Responsible Investing is appropriately integrated, ICG has established a Responsible Investing Committee. The committee currently comprises 10 members drawn from ICG's investment teams as well as the Head of Responsible Investing. It is chaired by the Head of the Investment office and is responsible for, amongst other things:

- Ensuring that ESG considerations are integrated throughout the investment process for each strategy, in accordance with ICG's Responsible Investing Policy and Responsible Investing Framework;
- Ensuring that ICG's investment teams have the required skills and understanding to effectively monitor and engage with company management in our portfolio companies on ESG issues; and
- Monitoring the wider landscape of ESG issues to identify new and emerging issues and ensuring action is taken to implement ESG-related legislation, industry initiatives or ICG initiatives.

Our Responsible Investing Policy provides the overarching charter for our approach to responsible investing and covers 100% of ICG's assets under management. Our Responsible Investing approach is an internal point of reference that provides practical guidance for our investment teams. For each investment strategy, we analyse material ESG issues at each stage of the investment process, from screening through due diligence, closing, monitoring and eventual exit. Each ICG investment strategy implements relevant ESG considerations, depending on the nature of the strategy and the level of influence over and access to management.

Integration of ESG considerations in investment and stewardship activities

The vast majority of ICG funds in the market are classified as SFDR Article 8(funds that promote environmental and/or social characteristics). Each ICG investment strategy takes into account relevant ESG considerations, depending on the nature of the strategy and the level of influence over, and access to, management.

Pre-Investment

For many of our strategies, the best opportunity to fully understand the ESG implications of an investment and to exert influence are largely at the time of initial investment. We start by considering our Exclusion List, as defined in our Responsible Investing Policy, to ensure that we do not make direct investments in companies that we consider to be incompatible with the corporate values and responsible investment approach of the firm.

All investment opportunities are screened using a standard ESG Screening Checklist (Checklist). The Checklist identifies potential ESG risks by industry sector and geography, including environmental concerns (with specific questions on climate change and a climate risk rating), social concerns (incorporating community, supply chain, human resources and health and safety-related issues) and corporate governance and ethical concerns. The Checklist also includes our Climate Risk Assessment tool. In addition, investment teams have access to a negative reputational events screening tool called RepRisk and our Compliance department undertake thorough KYC and anti-money laundering checks before we close every deal.

The results of this process are recorded in each investment proposal, so that the Investment Committee can confirm that ESG-related issues have been explicitly assessed and ensure they are considered when making an investment decision.

In situations where ICG has significant influence in the capital structure, external ESG due diligence is typically conducted as standard, and the results incorporated in the Investment Committee papers. Where material issues are identified, the Investment Committee may request further action is taken to ensure these issues are properly investigated or require further actions to be taken following an investment.

Following on from the introduction of our standard ESG Screening Checklist and Climate Risk rating in 2020, we recently developed a pre-investment ESG rating which will gradually be rolled out to relevant ICG strategies, starting with our Credit and Private Debt asset classes in 2022. The rating framework will enable us to assess the overall portfolio exposure to ESG-related risks and will form part of our ESG reporting to investors.

Post-Investment

Where ICG has significant influence in the ownership or capital structure of companies, or with the existing private equity sponsor, we engage with management to ensure they deliver high levels of corporate responsibility. Where appropriate we also exercise our influence at the board level of a portfolio company and engage with them on strategy, risk, performance and governance matters.

In strategies where ICG has influence and access to management, we look to maintain strong relationships with management at portfolio companies, and with controlling private equity sponsors, as relevant. These relationships allow us to maintain an ongoing dialogue around the ESG factors impacting the business and allow us to exert influence, wherever possible. For these companies, we circulate our Annual ESG Survey to better understand how they are managing ESG issues. Our Annual ESG Survey includes questions on risk assessment and management, governance, environmental management, climate change, and social performance.

In strategies where ICG is a minority stakeholder or where the nature of the strategy limits our ability to influence management with regards to ESG, we seek to monitor ESG risks and engage with management and other investors insofar as is feasible.

At exit

In strategies where ICG has influence and access to management, we typically consider engaging a specialist to conduct sell-side ESG due diligence in preparation for exit, to ensure that we are supporting the company to continue to make progress on ESG and so that the potential buyer has a good understanding of the ESG risks and opportunities.

How ESG considerations influence our investment decisions

ESG considerations are an integral part of making investment decisions and, as such, there are deals we decline or assets we exclude because they do not meet our robust ESG standards. For instance, in early 2021, after extensive internal discussion among the Group’s Executive Directors, portfolio managers and Responsible Investment team, ICG took the decision to exclude any direct investment in companies which generate the majority of their revenue from coal, oil and gas (see our Responsible Investing Policy for further details).

In the 18 months to 31 December 2020, more than 100 investment opportunities were not approved due to ESG concerns, such as reputation risks, climate risk, corporate governance, and bribery and corruption concerns.[7]

Case study: Specialty finance investment declined

One such example was an investment decision concerning a direct-to-consumer specialty finance company that focused on debt management solutions and providing liquidity for structured settlements. Although the company was operating in a regulated industry, ICG had concerns given the company's financial products potentially charged excessive interest rates and targeted low-income less financially sophisticated investors. ICG took the decision to decline the investment.[8]

Case study: Deep-dive on climate risk

In 2021, ICG invested in a global leader in grape-derived value-added natural ingredients, which transformed grape by-products generated during the wine-making process. The company's business model relies on sourcing agricultural by-products and on the quality and output of grape harvests.

As a result of the outcomes of our standard ESG due diligence, we decided to expand the scope to undertake a deep-dive assessment of the exposure of the company to physical and transition climate risks. The findings of the report provided context and recommendations for further developing the climate resilience of the business, with a focus on its supply chain of raw materials. In addition, we are working with the company's management team to set ambitious science based emission reduction targets .[9]

[7] In the 18 months to 31 December 2020.
[8] Asset Class: Structured and Private Equity.
[9] Asset Class: Structured and Private Equity.

Investment Approach

Principle 8 – Monitoring managers and service providers

Signatories monitor and hold to account service providers.

As an active asset manager, typically investing in unlisted assets, the majority of our activities are undertaken in-house. Where we believe efficiencies may be improved, we outsource certain services to experienced market-leading providers for example our third party administrators, who assist in the onboarding of, and satisfying certain reporting obligations to, our clients. ICG personnel are responsible for the service delivery of such third party providers and they actively and regularly review the quality of the service provision and escalate any issues to our Head of Operations and IT or our Executive Directors, where applicable. In advance of the appointment of all service providers, thorough due diligence is undertaken.

Service providers are not used to directly support our stewardship or ESG integration specifically, but they are used as a source of data and analytics to inform discussions with companies and supplement the analysis of our teams in relation to investment decision-making. In each case the provider has a clear remit. ICG does not outsource any of its investment or stewardship responsibilities to service providers.

As part of the climate scenario analysis of our existing portfolio across all key strategies, we used a third party expert consultant. We engaged with the consultant on a regular basis to ensure they were meeting their service delivery targets. The findings of the analysis have significantly contributed to the development of our comprehensive Climate Risk Assessment tool and helped us to revise our Climate Policy, extend our Exclusion List, to include coal, oil and gas and meaningfully engage with portfolio companies on climate related issues.

In addition, we use third party ESG consultants for expert ESG due diligence on investments where we will be exercising significant influence. Both our investment and responsible investing teams work closely with the consultant, discussing due diligence updates regularly. The due diligence provider’s final report is thoroughly challenged and reviewed, with the findings reported to the Investment Committee were relevant and/or incorporated into post-investment improvement plans of the underlying investee companies.

Engagement

Principle 9 – Engagement

Signatories engage with issuers to maintain or enhance the value of assets.

Following investment, material risks and opportunities are monitored and reviewed, as a standard part of the portfolio monitoring process. The extent of influence and access to management are the two key determining factors in how we engage with portfolio companies on material risks and opportunities. Typically, our engagement is either via the Board of a portfolio company or directly with the CEO, CFO or (if appropriate) sustainability leads within companies. Investment professionals from ICG drive the engagement with our portfolio companies, supported as appropriate by other ICG teams (for example the Responsible Investing team when specific ESG expertise is required).

Where ICG has significant influence in the ownership or capital structure of companies, or with the existing private equity sponsor, we engage with management to ensure they deliver high levels of corporate responsibility. Where appropriate we also exercise our influence at the board level of a portfolio company and engage with them on strategy, risk, performance and governance matters. In such situations, we add ESG to the agenda of board meetings.

We seek to maintain strong relationships with management at portfolio companies, and with controlling private equity sponsors, as relevant. These relationships permit us to maintain an ongoing dialogue around the factors impacting the business and allow us to maximise our influence, whether through Board rights, contractual rights or our relationships with other investors in the company.

We may also encourage portfolio companies to set company-specific ESG targets and KPIs which can then be monitored over the life of the investment. Our engagement objectives are dependent on the specific strategy, though typically tend to be on ESG topics of specific materiality and relevance for each investment. Where we have concerns about the management of specific ESG matters, we raise these issues with company management where possible (for example, as part of our regular investment meetings with companies, or as part of board discussions in situations where we have a board or observer seat). Our relationships permit us to maintain an ongoing dialogue around the ESG factors impacting the business and allow us to exert influence, wherever possible. For these companies, we circulate our Annual ESG Survey, to better understand how they are managing ESG issues. The survey has been enhanced and extended each year since its launch in 2015. In 2021, the survey was circulated to 67 portfolio companies, with an 86% completion rate, and included questions in areas such as ESG governance and accountability, climate change and D&I, among others.

For our sustainably-themed funds or funds with an enhanced ESG framework, we have adopted a more thematic, top-down engagement and monitoring approach. In strategies where ICG is a minority stakeholder or where the nature of the strategy limits our ability to influence management with regards to ESG, we seek to monitor ESG risks and engage with management insofar as is feasible, in line with our governance rights.

We set out below the results of our engagement during the reporting period for certain strategies within Structured and Private Equity:

Structured and Private Equity

In 2021, 36 portfolio companies in our European and Asia Pacific corporate strategies were surveyed (2020: 32), with 100% response rate. ESG Survey highlights include:

Governance and Social

- 100% of portfolio companies have ESG responsibility assigned (2020: 87%)
- 81% of portfolio companies have ESG KPIs and targets set (2020: 77%)

- 64% of portfolio companies have initiatives or targets to improve diversity (2020: 48%)

Climate Change
- 61% of portfolio companies have assigned Board or management responsibility for climate change (2020: 42%)
- 67% of portfolio companies have set climate change or energy related objectives and targets (2020: 55%)
- 61% of portfolio companies assess their carbon footprint (2020: 32%)

Case study: focus on D&I in the software industry[10]

ICG invested in a European IT software provider and consultancy business, headquartered in Germany, with a business plan to help the company develop and grow. ESG was a key part of the value creation plan, with a strong focus on employee matters, especially D&I, recognising the importance of attracting and retaining the best people to drive business and innovation.

With our support, the investee entity has established a dedicated D&I committee, led by the CEO, that developed and oversees the implementation of the company's D&I strategy. It has a particular focus on attracting diverse talent and developing a more inclusive workplace through 'blind' hiring processes with flexible working and job sharing as standard. The company is also supporting industry initiatives to attract more female talent into the IT industry. So far, these initiatives have contributed to having 28% of the workforce female, which compares very favourably to the German IT sector.

[10] Asset Class: Structured and Private Equity

Engagement

Principle 10 – Collaboration

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Collaboration with peers

ICG recognises that, in pursuing the best interests of our clients, we have a responsibility to collaborate and work closely with our peers and other stakeholder groups, particularly on thematic engagements. We are committed to working with others to promote stewardship within our investment activities as we believe that a collective voice may provide greater leverage and influence.

ICG is an active member of the BVCA, the UK industry body for the private equity and venture capital industry, and participates in a number of committees and working groups alongside other managers. In these forums, we participate in discussion of matters affecting the entire industry and contribute to industry responses to the FCA, HMRC, HMT and other governmental or regulatory bodies in the UK and Europe. As recent examples, we have formed part of two BVCA working groups, one preparing an industry response to the FCA consultation on mandatory TCFD reporting for asset owners and asset managers and the other reviewing the incoming IFPR legislation and providing feedback to the FCA. ICG also actively contributes to working groups of other industry bodies such as Invest Europe, for example as part of the SFDR working group, and AIMA.

We are also a member of a number of informal networks and groups with other industry participants to discuss matters of common concern. Subject to confidentiality requirements, we encourage our personnel to discuss in general terms the challenges and opportunities facing them with their peers at other firms, which can improve insight into available options and may lead to collaborative approach with regulators or governments. A recent example occurred in our direct lending business during the Covid-19 pandemic, where a number of debt managers had concerns over the approach being taken to introduce liquidity into the market; ICG, along with a number of other debt investors, were a signatory to a letter to the Treasury setting out these concerns.

To address the significant challenge of climate change, we believe industry collaboration is also vital. In collaboration with certain other private equity firms and the UN PRI, we successfully launched the UK network of iCI in July 2020, a collective commitment to quantify and reduce the carbon emissions of private equity-backed companies. Over the past year the French and UK networks combined have grown to include over 100 GPs and LPs. As a member of the UK iCI operational committee, ICG works with others to set the iCI UK agenda, including key priorities such as supporting the establishment of SBTs, improving carbon reporting and contributing to public policy implementation. For example, through the iCI working group on SBTs we have been working actively with the SBT Initiative to develop specific guidance for the private equity industry to set SBTs. ICG is a member of the SBTi Private Equity Expert Advisory Group and was one of a handful of private markets investors to 'road test' the guidance.

We also co-chair an iCI UK working group that is developing carbon footprint guidance for private market investors and their portfolio companies, in collaboration with peers and industry bodies such as WRI, PRI, PCAF, CDP, and IIGCC.

We have also joined CDP's Private Market technical working group, to support the development of a private companies' assessment methodology to foster greater transparency and improve access of private market investors to climate risk and GHG emissions data. The methodology is currently being piloted and is expected to be rolled out in 2022. These initiatives aim to help harmonise the calculation and reporting of GHG data, which in turn will increase transparency and comparability of climate data across the private markets and improve understanding of climate risks and opportunities.

Collaboration with other investors

ICG regularly co-invests, generally alongside a small number of other investors. Our ability to collaborate with other investors, and the role we play in such collaboration, varies materially by asset class.

In Structured and Private Equity, we often invest alongside equity investors and management teams themselves. Collaboration is through a variety of contractual and governance means, along with informal communications. This is discussed in more detail in Principle 9.

In our private debt strategies we may invest alongside other lenders in a small club, where we would work with such other lenders to agree on an optimal debt solution for an issuer. This may lead to the group of lenders as a whole obtaining governance rights or covenant protection which is greater than that which would be available to any individual lender.

In Credit, the most substantive situation in which we engage with other investors is in situations where the portfolio company undergoes a restructuring. In situation, ICG funds have often formed part of a coordinating or ad hoc committee of lenders, where we have collaborated with such other lenders to reach an agreed position with respect to the best way to restructure an underlying portfolio company's debt. Ultimately, all such actions are designed to increase the influence of our position and ensure a better outcome for clients.

Engagement

Principle 11 – Escalation

Signatories, where necessary, escalate stewardship activities to influence issuers.

ICG invests predominantly in private companies, so this Principle is not entirely applicable to the nature of our investment strategies as we do not generally interact or have need to influence public issuers. For those companies in which we have greater influence over the capital structure across our Structured and Private Equity and Real Assets strategies, we use our governance rights to share concerns and/or provide strategic guidance. For our Private Debt strategies, we maintain a productive dialogue with management and the sponsor. For our Credit strategies, we are typically part of a syndicate of lenders, so we utilise the established governance rights and/or rights enshrined in lender agreements to engage and/or seek more detailed information.

EXERCISING RIGHTS & RESPONSIBILITIES

Principle 12 – Exercising rights and responsibilities

Signatories actively exercise their rights and responsibilities.

As an alternative asset manager, ICG holds varying levels of rights and responsibilities across our portfolio, depending on the asset class and investment strategy in question. ICG not only actively negotiates such rights and responsibilities upon entry into an investment, but regularly utilises them to seek to deliver both attractive and sustainable returns to our clients. ICG fully engages with its investments to the extent permissible in light of the relevant strategy and market norms.

Where ICG holds significant interests in, or can exert significant influence over, underlying portfolio companies, which is particularly the case in ICG's Structured and Private Equity strategy, material decisions at such portfolio companies typically require ICG's prior approval whether through board approval or resolution or in a meeting at the shareholder level. ICG will vote on all decisions related to its holdings, whether positively or negatively and, as an active manager, will be highly unlikely to abstain from a decision. Additionally, ICG will typically have directors on the boards of those portfolio companies in which it holds a significant shareholding percentage and will actively engage at every board meeting and outside of such meetings, in line with our rights and responsibilities as an investor.

Where ICG has more limited influence over portfolio companies, for example in our Credit strategy, our focus will be on ensuring we obtain the best commercial deal terms available. This may be, for example, through attending market soundings as an early potential investor, therefore allowing us a greater ability to influence deal terms and legal documentation. We will typically seek to use an external service provider to understand market terms of underlying documentation and will work with bank arrangers to seek amendments to such underlying documentation, for example in relation to restricted payments capacity, debt incurrence capacity, margin ratchets and ticking fees. Throughout the life of an investment, we will actively engage with portfolio companies to the extent permissible in accordance with the relevant legal documentation.

Case study: Exercising our rights in Private Debt[11]

In this reporting period, an ICG debt fund issued debt to an investee company, which subsequently became financially distressed and resulted in the fund enforcing its legal rights under the loan and security documentation and becoming a controlling shareholder in the business. ICG are now taking a more active role in the management of the business, including through requiring the delivery of additional financial information, regular attendance at board meetings and ongoing dialogue with the management team, to oversee, enhance and improve the performance business.

Case study: Exercising our rights in European Corporate strategies[12]

We have a dedicated value creation team, which leverages our influence and access to portfolio companies to improve efficiencies in our investments made by this strategy. During the reporting period, the team set up a digital transformation panel of senior industry executives who are currently working across multiple portfolio companies within the strategy to identify, quantify and engage with both investment teams and management teams to enhance the digital capabilities of such businesses. We believe such improvements will allow efficiencies within the business, provide a competitive advantage, improve end user experiences and, ultimately, generate better returns for our funds and clients.

[11] Asset Class: Private Debt
[12] Asset Class: Structured and Private Equity

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